

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT
2005

WATER UTILITY, WASTEWATER UTILITY,
AND AVIATION COMMISSION
CITY OF COLUMBUS
BARTHOLOMEW COUNTY, INDIANA



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TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Auditor's Report.....	3
Management's Discussion and Analysis	4-9
Statement of Net Assets.....	10
Statement of Revenues, Expenses and Other Changes in Fund Net Assets	11-12
Statement of Cash Flows	13
Notes to Financial Statements	14-25
Supplementary Information: Schedule of Funding Progress	26
Exit Conference	27

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda Sullivan	01-01-05 to 12-31-07
Mayor	Fred Armstrong	01-01-05 to 12-31-07
President of the Board of Public Works and Safety	Fred Armstrong	01-01-05 to 12-31-07
President of the Common Council	Martha Meyers	01-01-05 to 12-31-07
Director of Utilities	Keith Reeves	01-01-05 to 12-31-07
Utility Business Manager	Dale Langferman	01-01-05 to 12-31-07
President of the Utility Service Board	John Brand Barry Turner	01-01-05 to 12-31-05 01-01-06 to 12-31-07
President of the Board of Aviation Commissioners	Nancy Warren James Pridgen John Kussman	01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 12-31-07
Airport Manager	Rod Blasdel	01-01-05 to 12-31-07



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER UTILITY, WASTEWATER UTILITY, AND AVIATION
COMMISSION, CITY OF COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water Utility, Wastewater Utility, and Aviation Commission, department of the City of Columbus, as of and for the year ended December 31, 2005. These financial statements are the responsibility of the Utilities' and Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water Utility, Wastewater Utility, and Aviation Commission, City of Columbus, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities and Commission. They do not purport to, and do not, present fairly the financial position of the City of Columbus as of December 31, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water Utility, Wastewater Utility, and Aviation Commission, as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

January 29, 2007

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2005**

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities reflect how the City of Columbus did financially during 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, water and wastewater, and storm water lines). These factors must be considered when assessing the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two types of activities.

- **Governmental Activities** – Most of the City's programs and services are reported here, including public safety, highway and streets, sanitation, health and welfare, economic development, culture and recreation, interest on long term debt, and general government. These services are primarily funded by property and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** – These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water, wastewater, and aviation services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds, the General, Street Maintenance and Repair, Water, Wastewater, and Aviation funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds – The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Enterprise Funds – The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

Government-Wide Financial Analysis

Table 1 provides a summary of the City's net assets for 2005 compared to 2004.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current Assets	18,066,567	19,827,427	7,594,455	7,792,274	25,661,022	27,619,701
Restricted Assets	3,392,731		9,945,685	10,368,518	13,338,416	10,368,518
Fixed Assets			76,945,179	74,685,398	76,945,179	74,685,398
Depreciation					-	-
Other Assets			300,971	214,086	300,971	214,086
Total Assets	21,459,298	19,827,427	94,786,290	93,060,276	116,245,588	112,887,703
Liabilities						
Current and Other Liabilities			3,122,396	3,362,907	3,122,396	3,362,907
Long-Term Debt			7,707,148	9,439,782	7,707,148	9,439,782
Other Liabilities					-	-
Equity/Retained Earnings					-	-
Total Liabilities	-	-	10,829,544	12,802,689	10,829,544	12,802,689
Total Net Assets	21,459,298	19,827,427	83,956,746	80,257,587	105,416,044	100,085,014
Net Assets						
Invested in Capital Assets,						
Net of related debt			67,409,744	63,709,055	67,409,744	63,709,055
Restricted	4,846,013		1,745,578	831,246	6,591,591	831,246
Unrestricted	16,613,285	19,827,427	14,801,424	15,717,286	31,414,709	35,544,713
Total Net Assets	21,459,298	19,827,427	83,956,746	80,257,587	105,416,044	100,085,014

City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2005

Total net assets for governmental activities increased \$1.6 million. The governmental activities had an increase in revenues of \$9.6 million and an increase in expenses of \$8.8 million with an increase in beginning assets of 838,743 which makes up the net increase of \$1.6 million in net assets. Part of this is due to an increase in property tax revenue of \$1.2 million.

The net assets for business-type activities increased \$3.6 million. The business-type activities had an increase in revenues of \$.4 million and a decrease in expenses of 377,604 with an increase in beginning assets of \$2.8 million which makes up the net increase of \$3.6 million in net assets. Part of this is due to an increase in residual income. Interest income also increased for 2005 due to favorable investment rates.

Table 2 reflects the changes in net assets for 2005 with a comparison to 2004 net assets. This is a comparative analysis of government-wide data to compare the changes in each category of revenues and disbursements.

Table 2 reflects the changes in net assets for 2005 compared to 2004

	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities	Total	
	2005	2005	2004	2004	2005	2004
Receipts						
Program Receipts						
Charges For Services	11,196,415	8,449,017	2,291,613	8,275,026	19,645,432	10,566,639
Operating Grants and Contributions	2,459,738		4,572,931	-	2,459,738	4,572,931
Capital Grants and Contributions	2,009,016		1,198,454	-	2,009,016	1,198,454
Total Program Receipts	15,665,169	8,449,017	8,062,998	8,275,026	24,114,186	16,338,024
General Receipts						
Property Taxes	22,129,155		20,877,029		22,129,155	20,877,029
Other Local Sources	2,814,612	1,645,917	1,691,834	1,934,770	4,460,529	3,626,604
Other Revenues	7,830,934	3,219,795	8,187,671	2,745,075	11,050,729	10,932,746
Total General Receipts	32,774,701	4,865,712	30,756,534	4,679,845	37,640,413	35,436,379
Total Receipts	48,439,870	13,314,729	38,819,532	12,954,871	61,754,599	51,774,403
Transfers					-	-
Total Receipts and Transfers	48,439,870	13,314,729	38,819,532	12,954,871	61,754,599	51,774,403
Program Disbursements						
General Government	15,231,072		8,236,655		15,231,072	8,236,655
Public Safety	16,072,108		13,565,137		16,072,108	13,565,137
Highway and streets	4,011,817		4,241,450		4,011,817	4,241,450
Sanitation	1,636,611		1,851,258		1,636,611	1,851,258
Health and Welfare	61,562		50		61,562	50
Economic Development	1,381,041		3,735,627		1,381,041	3,735,627
Culture and recreation	8,413,788		6,166,997		8,413,788	6,166,997
Interest on Long-Term Debt			183,615			183,615
Water		3,885,422		3,795,829	3,885,422	3,795,829
Wastewater		4,472,024		5,024,550	4,472,024	5,024,550
Aviation		1,258,124		1,293,738	1,258,124	1,293,738
Total Disbursements	46,807,999	9,615,570	37,980,789	10,114,117	56,423,569	48,094,906
Increase in Cash Net Assets	1,631,871	3,699,159	838,743	2,840,754	5,331,030	3,679,497
Beginning Cash Net Assets	19,827,427	80,257,587	18,988,684	77,416,833	100,085,014	96,405,517
Ending Cash Net Assets	21,459,298	83,956,746	19,827,427	80,257,587	105,416,044	100,085,014

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2005**

The major program expenses for governmental activities are for public safety, which accounts for just over 35% of all governmental expenses. General government accounts for 33% of total disbursements mainly due to the increase in capital improvements for 2005. Culture and recreation increased from 2004 to 2005 by 2.2 million which accounts for just over 18% of all disbursements. These three programs account for over 85% of the total disbursements for the City of Columbus and are funded almost entirely from property taxes, CAGIT revenues, and State shared revenues.

The City's water and wastewater operations account for over 87% of the business-type expenses and are funded almost entirely from charges for services.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. A comparison is provided to show changes from 2004 to 2005.

**Table 3
Governmental Activities**

Table 3 Indicates the total cost of services and the net cost of services for Governmental Activities.

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program Disbursements				
General Government	15,231,072	6,542,934	8,236,655	7,932,511
Public Safety	16,072,108	15,873,283	13,565,137	13,304,698
Highway and streets	4,011,817	2,197,059	4,241,450	2,009,817
Sanitation	1,636,611	1,636,611	1,851,258	1,851,258
Health and Welfare	61,562	(691,133)	50	(370,471)
Economic Development	1,381,041	1,081,514	3,735,627	245,879
Culture and recreation	8,413,788	4,502,562	6,166,997	4,760,484
Interest on Long-Term Debt			183,615	183,615
Total Disbursements	46,807,999	31,142,830	37,980,789	29,917,791

It should be noted that for all governmental activities, over 70 percent of the revenues to provide these services are derived from the City's general revenues: that being primarily property taxes, CAGIT monies, and state shared revenues. The negative cost of health and welfare services indicates that program revenues are sufficient enough to cover the costs of this program.

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Public Safety fund, and the Culture and recreation fund. A review of these funds indicates a significant change in general government expenses due to capital improvement purchases. The public safety disbursements increased due to the city adding personnel to the police division to keep up with safety needs throughout the City of Columbus. Culture and recreation disbursements increased by adding more people trails for the communities to achieve a more active physical life. The other areas either decreased or had a very insignificant change in activity from the prior year.

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2005**

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water, Wastewater, and Aviation funds. Program revenues, primarily charges for services, have been sufficient to cover the expenses of the respective funds, which can be seen on the statement of activities.

The revenues generated by the utilities division is primarily based on the amount of water the residents use. They are billed based on the quantity they use for both water and sewer. Customers not using the city water supply get billed a flat rate for sewage treatment. Our customer base is primarily residential within the city limits of Columbus. However, we do have an industrial base and do bill a couple rural utilities under a negotiated contract.

The expenses encountered by the utilities division did not change significantly from 2004 to 2005. The charge for services generates enough revenue to offset the expenses generated by utilities and along with the general revenues it covers all the expenses for the utility division.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by city officials and department heads and such other budgetary documents are required by State statute, including the annual appropriations ordinance which is effective the first day of January. The City's most significant budgeted fund is the general fund. Any modification to the approved annual budget are only completed upon department request and within qualifying categories based on the State Board of Accounts regulations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City of Columbus is GASB34 compliant. The City of Columbus has worked diligently in trying to come up with a starting base for capital asset reporting. In 2004 the city started compiling all capital asset information with an outside asset management company. In 2005 we continued adding and deleting from the compiled list to keep an up to date file on fixed assets. The City of Columbus has chosen to use a base of \$5,000.00 for all capital assets. Any purchase above this amount will be part of the fixed asset reports. The capital asset reporting system includes land, buildings, land improvements, vehicles, machinery and equipment, city infrastructure, and artwork.

At December 31, 2005, the outstanding indebtedness for the city on bond issues was \$3,655,000 for the governmental activities and \$9,035,431 for business-type activities. The governmental activity total was primarily for the parks department. The business-type activity was primarily for water and sewer bond refunds and sewer improvements.

The notes and loans payable for the governmental activities is \$997,500. This amount is for the debt fund for the parks department. The outstanding notes and loans payable for business-type activities is \$498,717. This includes a Mariah Foods note for \$144,000 and a State Revolving Fund Loan for \$354,717.

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2005**

The City also had outstanding leases totaling \$5,243,411. This was for The Foundation for Youth department to obtain a facility for the gymnastics center and other facilities, parks vehicle leases and parks batting cages.

CURRENT ISSUES

The City of Columbus made State news by passing a Smoking Ordinance banning smoking in public places. This was a hotly contested issue but after several modifications the Ordinance did pass and is enforce.

The Medic Budget for the year 2006 was deleted from the Annual Budget. The City of Columbus entered into an agreement with Columbus Regional Hospital to do all ambulance transports for the city and county. The firemen with the Medic department were transferred to the regular Fire department. As a result, the city was able to reduce their overall budget.

The Columbus City Council approved a tax abatement to Cummins Scania Manufacturing LLC in the amount of \$25,000,000 for improvements to the Cummins Fuel Plant located at 1460 National Road, Columbus. As a result, 235 new jobs will be created for the community.

The Park Bond of 1998 was refinanced with an approximate savings of between \$50,000 and \$85,000.

The city received the approval for a revolving loan for the public works project needed by the Parks Department. The revolving loan was approved by the City Council and included in the 2005 budget. The Department of Local Government Finance Control Board approved the loan and a tax rate was set to pay this debt back within one (1) year. The Council also approved the procurement of another public works project for the Parks for the year 2006 under the same terms.

The Clerk Treasurer's office by Ordinance went before the City Council and presented documentation to support the establishment of new fund balances for all city accounts. After many months of audit by the accounting firm of Crowe Chizek and with the help of the State Board of Accounts, new starting fund balances were approved. As a result, fund balances are now accurate and bank reconciliations are done on a timely basis.

The Columbus City Utilities will start a new construction project in 2006. It is beginning a \$40,000,000 project to abate the CSO problems as mandated by the state. Utilities will be replacing and adding capacity to the southern and eastern sewer system. They are also adding water lines to the eastern side of the community. The water project will be funded from current reserves but a rate increase will be needed for the wastewater improvements. City Utilities are planning a 79% increase in sewer rates effective midyear of 2006. By the end of 2006, it is the hope to close on the first phase of the debt which will be \$27,449,000 through the State Revolving Fund. Project costs will be paid from current reserves until the debt funding becomes available.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Brenda Sullivan, City Clerk Treasurer, 123 Washington Street, Columbus, Indiana 47201.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
December 31, 2005

<u>Assets</u>	Business-Type Activities - Enterprise Funds			
	Water Utility	Wastewater Utility	Aviation	Total
Current assets:				
Cash and cash equivalents	\$ 218,322	\$ 700,680	\$ 683,845	\$ 1,602,847
Investments	3,600,000	1,075,000	-	4,675,000
Interest receivable	83,041	34,768	-	117,809
Accounts receivable	410,411	370,140	13,627	794,178
Notes receivable	1,821	602	-	2,423
Inventories	182,282	65,423	-	247,705
Prepaid items	71,307	60,971	22,215	154,493
Total current assets	4,567,184	2,307,584	719,687	7,594,455
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation cash and cash equivalents	68,441	957,192	-	1,025,633
Depreciation investments	4,825,000	2,175,000	-	7,000,000
Bond reserve investments	-	32,095	-	32,095
Bond and interest cash and cash equivalents	170,346	118,482	-	288,828
Bond and interest investments	897,251	492,115	-	1,389,366
Customer deposits cash and cash equivalents	32,039	1,435	-	33,474
Customer deposits investments	50,000	91,000	-	141,000
FAA grant cash and cash equivalents	-	-	35,289	35,289
Total restricted assets:	6,043,077	3,867,319	35,289	9,945,685
Deferred charges	125,820	175,151	-	300,971
Capital assets:				
Land, improvements to land and construction in progress	1,012,331	2,490,188	5,910,116	9,412,635
Other capital assets (net of accumulated depreciation)	27,294,215	34,320,382	5,917,947	67,532,544
Total capital assets	28,306,546	36,810,570	11,828,063	76,945,179
Total noncurrent assets	34,475,443	40,853,040	11,863,352	87,191,835
Total assets	39,042,627	43,160,624	12,583,039	94,786,290
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	41,055	47,074	46,354	134,483
Accrued payroll and withholdings payable	30,376	31,792	1,232	63,400
Taxes payable	13,822	-	-	13,822
Notes payable	-	72,000	-	72,000
Deferred revenue	87,290	-	231,358	318,648
Compensated absences	11,446	14,654	-	26,100
Current liabilities payable from restricted assets:				
Customer deposits	82,039	92,435	-	174,474
Loan payable	-	15,000	-	15,000
Revenue bonds payable	1,145,000	595,000	-	1,740,000
Accrued interest payable	65,726	76,843	-	142,569
Contracts payable	-	-	421,900	421,900
Total current liabilities	1,476,754	944,798	700,844	3,122,396
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,255,111	4,040,320	-	7,295,431
Notes payable	-	72,000	-	72,000
Loans payable	-	339,717	-	339,717
Total noncurrent liabilities	3,255,111	4,452,037	-	7,707,148
Total liabilities	4,731,865	5,396,835	700,844	10,829,544
<u>Net Assets</u>				
Invested in capital assets, net of related debt	23,906,435	31,675,248	11,828,061	67,409,744
Restricted for debt service and federal grant requirements	1,067,597	642,692	35,289	1,745,578
Unrestricted	9,336,730	5,445,849	18,845	14,801,424
Total net assets	\$ 34,310,762	\$ 37,763,789	\$ 11,882,195	\$ 83,956,746

The notes to the financial statements are an integral part of this statement.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
For The Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Aviation	Total
Operating revenues:				
Flat rate revenues	\$ -	\$ 74,764	\$ -	\$ 74,764
Measured revenue:				
Residential	2,271,730	2,476,028	-	4,747,758
Commercial	666,324	742,678	-	1,409,002
Industrial	648,028	680,027	-	1,328,055
Penalties	21,306	66,232	-	87,538
Hydrant rentals/sprinkler systems	680,120	-	-	680,120
Airport operating revenues	-	-	121,780	121,780
Farming	-	-	442,375	442,375
Rental	-	-	501,931	501,931
Other	448,646	704,126	10,719	1,163,491
Total operating revenues	4,736,154	4,743,855	1,076,805	10,556,814
Operating expenses:				
Source of supply and expense/collection system expense - operations and maintenance				
Salaries and wages	215,867	270,605	-	486,472
Employee pensions and benefits	16,173	19,493	-	35,666
Materials and supplies	8,084	6,056	-	14,140
Chemicals	-	14,973	-	14,973
Other	-	65,612	-	65,612
Pumping expense - operations and maintenance				
Salaries and wages	-	126,305	-	126,305
Employee pensions and benefits	-	9,291	-	9,291
Purchase power	-	69,675	-	69,675
Other	-	23,535	-	23,535
Treatment and disposal expense - operations and maintenance				
Salaries and wages	-	711,437	-	711,437
Employee pensions and benefits	-	53,167	-	53,167
Purchase power	-	189,031	-	189,031
Fuel for power production	-	79,197	-	79,197
Chemicals	-	22,569	-	22,569
Materials and supplies	-	42,630	-	42,630
Contractual services	-	344,744	-	344,744
Other	-	119,328	-	119,328
Water treatment expense - operations and maintenance				
Salaries and wages	360,453	-	-	360,453
Employee pensions and benefits	26,874	-	-	26,874
Chemicals	54,134	-	-	54,134
Materials and supplies	2,709	-	-	2,709
Purchase power	319,082	-	-	319,082
Fuel for power production	14,497	-	-	14,497
Other	148,669	-	-	148,669
Transmission and distribution/pumping expense - operations and maintenance				
Salaries and wages	476,998	-	-	476,998
Employee pensions and benefits	35,536	-	-	35,536
Purchase power	16,079	-	-	16,079
Fuel for power production	9,788	-	-	9,788
Chemicals	8,086	-	-	8,086
Materials and supplies	14,256	-	-	14,256
Other	158,966	-	-	158,966

The notes to the financial statements are an integral part of this statement.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
For The Year Ended December 31,
(Continued)

	Water Utility	Wastewater Utility	Aviation	Total
Operating expenses (continued):				
Customer accounts expense				
Salaries and wages	76,956	52,229	-	129,185
Employee pensions and benefits	5,685	4,012	-	9,697
Materials and supplies	3,214	5,955	-	9,169
Contractual services	33,028	26,039	-	59,067
Other	3,315	2,519	-	5,834
Administrative and general expense				
Salaries and wages	190,583	235,765	276,162	702,510
Employee pensions and benefits	287,393	317,423	-	604,816
Materials and supplies	-	3,631	30,745	34,376
Contractual services	54,506	136,512	-	191,018
Purchase power	28,932	37,295	-	66,227
Depreciation and amortization	670,860	894,516	442,907	2,008,283
Properties	-	-	17,679	17,679
Other	336,392	256,578	490,631	1,083,601
Total operating expenses	<u>3,577,115</u>	<u>4,140,122</u>	<u>1,258,124</u>	<u>8,975,361</u>
Operating income (loss)	<u>1,159,039</u>	<u>603,733</u>	<u>(181,319)</u>	<u>1,581,453</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	319,494	189,581	17,336	526,411
Rent	85,200	90,000	-	175,200
Loss on sale of assets	(35,712)	(21,665)	-	(57,377)
Interest on revenue bonds	(260,277)	(274,112)	-	(534,389)
Amortization of bond issue costs	(12,318)	(36,125)	-	(48,443)
Total nonoperating revenue (expenses)	<u>96,387</u>	<u>(52,321)</u>	<u>17,336</u>	<u>61,402</u>
Income (loss) before contributions and transfers	1,255,426	551,412	(163,983)	1,642,855
Capital contributions	176,728	213,681	1,665,895	2,056,304
Transfers in	16,254,900	15,439,161	-	31,694,061
Transfers out	(16,254,900)	(15,439,161)	-	(31,694,061)
Change in net assets	1,432,154	765,093	1,501,912	3,699,159
Total net assets - beginning as originally reported	<u>32,878,608</u>	<u>36,998,696</u>	<u>9,865,407</u>	<u>79,742,711</u>
Change in accounting principle (Note II. E.)	-	-	(84,546)	(84,546)
Prior period adjustment (Note II. E.)	-	-	599,422	599,422
Total net assets - beginning, restated	<u>32,878,608</u>	<u>36,998,696</u>	<u>10,380,283</u>	<u>80,257,587</u>
Total net assets - ending	<u>\$ 34,310,762</u>	<u>\$ 37,763,789</u>	<u>\$ 11,882,195</u>	<u>\$ 83,956,746</u>

The notes to the financial statements are an integral part of this statement.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For The Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Aviation	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 4,278,092	\$ 4,031,943	\$ 1,080,226	\$ 9,390,261
Payments to suppliers	(1,232,546)	(1,648,370)	(631,850)	(3,512,766)
Payments to employees	(1,687,501)	(1,799,722)	(279,355)	(3,766,578)
Other receipts (payments)	448,646	704,126	-	1,152,772
Net cash provided by operating activities	1,806,691	1,287,977	169,021	3,263,689
Cash flows from noncapital financing activities:				
Other Income	85,200	90,000	-	175,200
Net cash provided by noncapital financing activities	85,200	90,000	-	175,200
Cash flows from capital and related financing activities:				
Purchase of capital assets	(350,698)	(300,133)	(2,081,828)	(2,732,659)
Acquisition and construction of capital assets	(548,034)	(569,901)	-	(1,117,935)
Principal paid on capital debt	(1,095,000)	(670,000)	-	(1,765,000)
Interest paid on capital debt	(224,410)	(279,707)	-	(504,117)
Defeasances on bonds	(59,193)	(204,774)	-	(263,967)
Bond anticipation notes/principal on loan	-	(87,000)	-	(87,000)
Capital contributions	-	-	1,665,895	1,665,895
Net cash used by capital and related financing activities	(2,277,335)	(2,111,515)	(415,933)	(4,804,783)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	6,566,204	3,591,814	-	10,158,018
Purchase of investments	(9,372,251)	(3,833,115)	-	(13,205,366)
Interest received	-	-	17,336	17,336
Net cash provided (used) by investing activities	(2,806,047)	(241,301)	17,336	(3,030,012)
Net decrease in cash and cash equivalents	(3,191,491)	(974,839)	(229,576)	(4,395,906)
Cash and cash equivalents, January 1: (Including \$8,004,340, \$1,765,503, \$175,249, \$32,095 and \$391,252 for the depreciation cash and cash equivalents, bond and interest cash and cash equivalents, customer deposits cash and cash equivalents and FAA grant cash and cash equivalents, respectively, reported in restricted accounts)	9,877,294	6,109,791	991,245	16,978,330
Cash and cash equivalents, December 31: (Including \$1,025,633, \$288,828, \$33,474, \$32,095, and \$35,289 for the depreciation cash and cash equivalents, bond and interest cash and cash equivalents, customer deposits cash and cash equivalents and FAA grant cash and cash equivalents, respectively, reported in restricted accounts)	\$ 6,685,803	\$ 5,134,952	\$ 761,669	\$ 12,582,424
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 1,159,039	\$ 603,733	\$ (181,319)	\$ 1,581,453
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	670,860	894,515	442,907	2,008,282
(Increase) decrease in assets:				
Accounts receivable	(63,540)	(4,701)	(1,203)	(69,444)
Accounts receivable - other	-	(441)	-	(441)
Notes receivable	1,001	687	-	1,688
Interest receivable	(34,167)	(3,331)	-	(37,498)
Inventories	(6,800)	(18,840)	-	(25,640)
Prepaid items	(1,744)	10	(1,079)	(2,813)
Increase (decrease) in liabilities:				
Customer deposits	(658)	(116)	-	(774)
Accounts payable	(11,564)	(14,981)	(91,716)	(118,261)
Driftwood payable	-	(168,680)	-	(168,680)
Deferred revenue	87,290	-	4,624	91,914
Accrued wages payable	4,036	3,350	(3,193)	4,193
Taxes payable	1,298	-	-	1,298
Compensated absence payable	1,640	(3,228)	-	(1,588)
Total adjustments	647,652	684,244	350,340	1,682,236
Net cash provided by operating activities	\$ 1,806,691	\$ 1,287,977	\$ 169,021	\$ 3,263,689
Noncash investing, capital and financing activities:				
Contributions of capital assets from developers	\$ 176,728	\$ 213,681	\$ -	

The notes to the financial statements are an integral part of this statement.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and Commission and are not intended to present fairly the position of the City of Columbus (City), and the results of its operations and cash flows of its enterprise funds. The Utilities and Commission, whose operations are controlled by the City, represent a substantial portion of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities' to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold		Depreciation Method	Estimated Useful Life
	Aviation	Utilities		
Buildings and improvements	\$5,000	\$500	Straight-line	67 to 80 years
Improvements other than buildings	5,000	500	Straight-line	20 to 80 years
Machinery and equipment	5,000	500	Straight-line	5 to 20 years
Transportation	5,000	500	Straight-line	5 to 10 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Utility during the current year was \$534,389. Of that amount, none was included as part of the cost of capital assets under construction.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 6 days per year. Sick leave does accumulate from year to year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 6 days to 20 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 10 days. Accumulated vacation leave is paid to employees through cash payments.
- c. Personal Leave – Utility employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Vacation leave is accrued when incurred.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

	Category			Reported	Fair
	1	2	3	Amount	Value
Certificate of deposit	<u>\$ 8,819,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,819,194</u>	<u>\$ 8,819,194</u>

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 237,523	\$ -	\$ -	\$ 237,523
Construction in progress	749,180	548,034	522,406	774,808
Capital assets, being depreciated:				
Buildings and structures	34,478,463	724,673	86,921	35,116,215
Machinery and equipment	1,817,468	227,406	37,197	2,007,677
Transportation equipment	442,816	55,302	21,358	476,760
Office equipment, furniture, and fixtures	655,014	42,450	14,853	682,611
Fully depreciated assets	793,377	83,151	81,223	795,305
Less accumulated depreciation for:				
Buildings and structures	(9,337,324)	(503,270)	(61,088)	(9,779,506)
Machinery and equipment	(703,539)	(90,853)	(31,589)	(762,803)
Transportation equipment	(196,618)	(43,993)	(21,358)	(219,253)
Office equipment, furniture, and fixtures	(205,324)	(32,742)	(10,580)	(227,486)
Fully depreciated assets	<u>(793,377)</u>	<u>(83,151)</u>	<u>(81,223)</u>	<u>(795,305)</u>
Total Water Utility capital assets, net	<u>27,937,659</u>	<u>927,007</u>	<u>558,120</u>	<u>28,306,546</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	1,214,439	-	-	1,214,439
Construction in progress	969,892	569,901	264,044	1,275,749
Capital assets, being depreciated:				
Buildings and structures	41,162,886	338,818	24,701	41,477,003
Machinery and equipment	5,547,744	352,774	51,240	5,849,278
Transportation equipment	499,199	53,963	20,365	532,797
Office equipment, furniture, and fixtures	393,094	33,588	11,498	415,184
Fully depreciated assets	463,667	42,556	114,293	391,930
Less accumulated depreciation for:				
Buildings and structures	(10,293,664)	(548,440)	(10,467)	(10,831,637)
Machinery and equipment	(2,445,654)	(276,556)	(49,586)	(2,672,624)
Transportation equipment	(164,059)	(49,920)	(18,328)	(195,651)
Office equipment, furniture, and fixtures	(242,126)	(19,600)	(7,758)	(253,968)
Fully depreciated assets	<u>(463,667)</u>	<u>(42,556)</u>	<u>(114,293)</u>	<u>(391,930)</u>
Total Wastewater Utility capital assets, net	<u>36,641,751</u>	<u>454,528</u>	<u>285,709</u>	<u>36,810,570</u>

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Airport:				
Capital assets, not being depreciated:				
Land	2,010,244	-	600	2,009,644
Construction in progress	2,161,151	2,503,708	764,387	3,900,472
Capital assets, being depreciated:				
Buildings	3,307,739	160,978	153,827	3,314,890
Improvements other than buildings	11,225,135	320,971	658,350	10,887,756
Machinery and equipment	502,171	42,534	200,665	344,040
Transportation equipment	162,458	-	349	162,109
Less accumulated depreciation for:				
Buildings	(2,029,573)	(151,328)	(39,969)	(2,140,932)
Improvements other than buildings	(6,701,309)	(231,659)	(541,746)	(6,391,222)
Machinery and equipment	(288,235)	(35,096)	(178,125)	(145,206)
Transportation equipment	(89,011)	(24,826)	(349)	(113,488)
Total Airport capital assets, net	<u>10,260,770</u>	<u>2,585,282</u>	<u>1,017,989</u>	<u>11,828,063</u>
Total business-type activity capital assets, net	<u>\$ 74,840,180</u>	<u>\$ 3,966,817</u>	<u>\$ 1,861,818</u>	<u>\$ 76,945,179</u>

Depreciation expense was charged to functions/programs of the Utility as follows:

Water	\$ 670,860
Wastewater	894,516
Aviation	<u>442,907</u>
Total depreciation expense	<u>\$ 2,008,283</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2005	Committed	Required Future Funding
Water	\$ 1,723,693	\$ 774,808	\$ 948,885	\$ -
Wastewater	6,219,826	1,275,749	4,944,077	-
Aviation	<u>5,888,532</u>	<u>3,900,472</u>	<u>1,988,060</u>	-
Totals	<u>\$ 13,832,051</u>	<u>\$ 5,951,029</u>	<u>\$ 7,881,022</u>	<u>\$ -</u>

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Long-Term Liabilities

1. Revenue Bonds

The Utility issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
2002 Waterworks Refunding Revenue Bond	6.45%	1,110,000
2005 Waterworks Refunding Revenue Bond	2.80 to 4.25%	\$ 3,415,000
2002 Sewage Works Refunding Revenue Bond	3.40 to 4.00%	620,000
2005 Sewage Works Refunding Revenue Bond	4.00%	<u>4,185,000</u>
Total		<u>\$ 9,330,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2006	\$ 1,145,000	\$ 155,910	\$ 595,000	\$ 179,385
2007	45,000	135,875	760,000	153,200
2008	45,000	134,300	810,000	121,800
2009	605,000	121,300	845,000	88,700
2010	625,000	96,700	880,000	54,200
2011-2015	<u>2,060,000</u>	<u>130,700</u>	<u>915,000</u>	<u>18,300</u>
Totals	<u>\$ 4,525,000</u>	<u>\$ 774,785</u>	<u>\$ 4,805,000</u>	<u>\$ 615,585</u>

2. Notes

The Wastewater Utility has entered into a note. Annual debt service requirements to maturity for the note, as of December 31, 2005, for the years ended December 31, are as follows:

	Wastewater Utility
2006	\$ 72,000
2007	<u>72,000</u>
Total	<u>\$ 144,000</u>

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Advance Refunding

On June 2, 2005, the Columbus City Utilities - Wastewater issued \$4,185,000 in refunding revenue bonds with an average interest rate of 4% to advance refund \$4,185,000 of outstanding 2005 series bonds with an average interest rate of 4.5%. The net proceeds of \$4,144,526 (after payment of \$138,122 in issuance costs and local contributions of \$204,774) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2005 series bonds. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Balance Sheet. The refunding resulted in the accounting loss of \$279,707, which has been recognized on the Balance Sheet as Deferral of Loss on Refunding. This amount will be amortized using the straight-line method and charged to interest expense over the next 5 $\frac{3}{4}$ years. The Columbus City Utilities - Wastewater in effect decreased its aggregate debt service payment by \$611,627 over the next 5 $\frac{3}{4}$ years and realized an economic gain (difference between the present values of the old and new debt service payments) of \$573,807.

On June 2, 2005, the Columbus City Utilities - Water issued \$3,415,000 in refunding revenue bonds with an average interest rate of 3.53% to advance refund \$3,310,000 of outstanding 2005 series bonds with an average interest rate of 5.25%. The net proceeds of \$3,378,232 (after payment of \$130,224 in issuance costs and local contributions of \$59,193) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2005 series bonds. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Balance Sheet. The refunding resulted in the accounting loss of \$224,410, which has been recognized on the Balance Sheet as Deferral of Loss on Refunding. This amount will be amortized using the straight-line method and charged to interest expense over the next 7 $\frac{3}{4}$ years. The Columbus City Utilities - Water in effect decreased its aggregate debt service payment by \$246,587 over the next 7 $\frac{3}{4}$ years and realized an economic gain (difference between the present values of the old and new debt service payments) of \$219,672.

4. State Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of the Royal View Sewer Improvement Project. Funds were loaned to the Utility as construction costs accrued to the maximum allowed. The Royal View Sewer Improvement Project loan established a maximum draw of \$400,000. At the completion of construction, the outstanding principal balance of \$399,717 was amortized over a period of 21 years. Annual debt service requirements to maturity for this loan, including \$137,452 in interest, are as follows:

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended December 31	Principal	Interest
2006	\$ 15,000	14,248
2007	15,000	13,633
2008	15,000	13,018
2009	15,000	12,403
2010	20,000	11,685
2011-2015	100,000	46,415
2016-2020	120,000	23,986
2021-2025	<u>54,717</u>	<u>2,064</u>
Totals	<u>\$ 354,717</u>	<u>\$ 137,452</u>

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 5,515,000	\$ 3,415,000	\$ 4,405,000	\$ 4,525,000	\$ 1,145,000
Less deferred on refunding	(127,680)	(224,410)	(141,287)	(210,803)	-
Less unamortized premium	<u>199</u>	<u>93,456</u>	<u>7,741</u>	<u>85,914</u>	<u>-</u>
Total Water Utility	<u>5,387,519</u>	<u>3,284,046</u>	<u>4,271,454</u>	<u>4,400,111</u>	<u>1,145,000</u>
Wastewater Utility	5,475,000	4,185,000	4,855,000	4,805,000	595,000
Less deferred amount on refunding	(213,151)	(279,707)	(234,608)	(258,250)	-
Less unamortized premium	<u>57,094</u>	<u>97,648</u>	<u>66,172</u>	<u>88,570</u>	<u>-</u>
Total Wastewater Utility	<u>5,318,943</u>	<u>4,002,941</u>	<u>4,686,564</u>	<u>4,635,320</u>	<u>595,000</u>
Note payable	384,680	-	240,680	144,000	72,000
State Revolving Fund	<u>369,717</u>	<u>-</u>	<u>15,000</u>	<u>354,717</u>	<u>15,000</u>
Total long-term liabilities	<u>\$ 11,460,859</u>	<u>\$ 7,286,987</u>	<u>\$ 9,213,698</u>	<u>\$ 9,534,148</u>	<u>\$ 1,827,000</u>

E. Restatements

1. Prior Period Adjustments

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Aviation Commission. Prior period adjustments represent additions to construction in progress for the Aviation Commission. In prior audits, portions of the construction in progress were not included.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Change in Accounting Principal

During the year the Aviation Commission changed its Capital Asset policy. The policy changed the capitalization threshold from \$500 to \$5000. This resulted in a decrease to Net Assets of \$84,546.

	Balance as Reported December 31, 2004	Prior Period Adjustments	Change in Accounting Principle	Balance as Restated January 1, 2005
Construction work in progress	\$ 1,491,494	\$ 669,627	\$ -	\$ 2,161,121
Accounts payable	(381,282)	(70,205)	-	(451,487)
Net assets	9,865,407	599,422	(84,546)	10,380,283

III. Other Information

A. Risk Management

The Utilities and Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

The City, including the Utilities and Commission, has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees. The risk financing fund is where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$500,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each fund's gross wages, and are reported as quasi-external interfund transactions.

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents for City, Utility, and Aviation Commission employees. The risk financing fund is accounted for in the Insurance Nonreverting Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$90,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Subsequent Events

In 2006, a major agreement for the acquisition of plant expansion for the Combined Sewer Overflow was approved by the City for \$45,000,000. The Wastewater Utility received a \$27,449,000 SRF loan for this project.

On January 29, 2007, the Wastewater Utility committed \$300,000 for land for the new Wastewater Utility treatment plant site.

On March 7, 2006, the City approved a 79% rate increase for the Wastewater Utility.

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on November 15, 1992. The Utility has 15,972 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on May 4, 1992. The Utility has 15,959 customers.

D. Pension Plans

1. Agent Multiple-Employer and Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City, including the Utilities and Commission, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Utilities and Commission authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City, Utilities, and Commission is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole (and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds).

b. Utility Pension

Plan Description

The Columbus City Utilities (Water and Wastewater) have a defined benefit pension plan covering eligible employees. An employee becomes a participant with the completion of 1 year of eligible services and the attainment of age 21. Benefits are based on 1.3% of monthly plan compensation multiplied by benefit service. Contributions are intended to provide not only for benefits attributed to service to date, but also those expected to be earned in the near future. Employee contributions are not required by the plan agreement.

Funding Policy and Annual Pension Cost

Information not available.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>Utility Pension</u>
Annual required contribution	\$ 336,872	*
Interest on net pension obligation	(13,246)	*
Adjustment to annual required contribution	<u>15,094</u>	*
Annual pension cost	338,720	*
Contributions made	<u>314,547</u>	*
Increase in net pension obligation	24,173	*
Net pension obligation, beginning of year	<u>(182,699)</u>	*
Net pension obligation, end of year	<u>\$ (158,526)</u>	*

* Information not available

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	Utility Pension
Contribution rates:		
Government	5.25%	
Plan members	3%	*
Actuarial valuation date	07-01-05	*
Actuarial cost method	Entry age	*
Amortization method	Level percentage of projected payroll, closed	*
Amortization period	40 years	*
Amortization period (from date)	07-01-97	*
Asset valuation method	4 year smoothed market	*

* Information not available

Actuarial Assumptions	PERF	Utility Pension
Investment rate of return	7.25%	*
Projected future salary increases:		
Total	5%	*
Attributed to inflation	4%	*
Attributed to merit/seniority	1%	*
Cost-of-living adjustments	2%	*

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 393,620	60%	\$ (387,932)
	06-30-04	320,560	85%	(231,711)
	06-30-05	338,720	98%	(158,256)
Utility Pension Plan	12-31-02	*	*	*
	12-31-03	*	*	*
	12-31-04	*	*	*

* Information not available

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 6,022,186	\$ 6,262,135	\$ (239,949)	96%	\$ 6,381,993	(4%)
07-01-04	6,081,741	6,618,903	(537,162)	92%	6,193,312	(9%)
07-01-05	6,331,234	7,682,218	(1,350,984)	82%	6,346,344	(21%)

The above schedule represents data for City, Utility, and Commission employees. Information not available to distinguish between City, Utility, and Commission employees.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
EXIT CONFERENCE

The contents of this report were discussed on February 19, 2007, with Dale Langferman, Utility Business Manager. Our audit disclosed no material items that warrant comment at this time.